

**BEFORE THE STATE OF ILLINOIS
ILLINOIS COMMERCE COMMISSION**

SBC COMMUNICATIONS INC.,)	
SBC DELAWARE INC.,)	
AMERITECH CORPORATION, and)	
ILLINOIS BELL TELEPHONE COMPANY,)	
d/b/a AMERITECH ILLINOIS)	
)	
)	98-0555
Joint Application for approval of the)	
reorganization of Illinois Bell Telephone)	
Company, d/b/a Ameritech Illinois, and the)	
Reorganization of Ameritech Illinois Metro, Inc.)	
in accordance with Section 7-204 of The Public)	
Utilities Act and for all other appropriate relief.)	

**JOINT APPLICANTS' RESPONSE TO
CERTAIN ISSUES RELATIVE TO SHARED TRANSPORT**

SBC Communications Inc., SBC Delaware, Inc., Ameritech Corporation, and Illinois Bell Telephone Company, ("Joint Applicants") hereby submit their response to certain statements made by the Commissioners in the open meeting held on November 4, 1999, which in turn were related to statements made in the Verified Joint Application For Rehearing And Clarification filed by AT&T Communications of Illinois, Inc., MCI WorldCom, Inc., Sprint Communications Company L.P. d/b/a and 21st Century Telecom of Illinois, Inc. ("Competitor Intervenors"). These statements addressed Joint Applicants' compliance with the interim shared transport commitment in the Illinois Merger Order. (Order in Docket 98-0555, adopted September 23, 1999).

Under the guise of an Application for Rehearing, the Competitor Intervenors accuse Ameritech Illinois of failing to comply with the Commission's order in this proceeding.

(Competitor Intervenors' Application, p. 3).¹ As demonstrated in more detail below, this accusation is based on mischaracterizations of the facts, the law and, most importantly, the plain terms of the Commission's Order. Nevertheless, the Joint Applicants are prepared to take additional steps in this proceeding relative to the UNE Platform that will end the current confusion and acrimony over the shared transport issue.

I. Interim Shared Transport and the UNE Platform Are Separate and Distinct Offerings

Before addressing this new proposal, it is important to understand the difference between interim shared transport -- which the Joint Applicants agreed to provide -- and the UNE Platform -- which the Joint Applicants did not agree to provide. As described in this Commission's Merger Order, shared transport allows CLECs to use the incumbent LEC's existing interoffice network to route their traffic from the originating end office to the called party, rather than constructing their own overlay interoffice network using dedicated facilities. (Order in Docket 98-0555, supra, p. 184). Shared transport is a combination of unbundled local switching and interoffice transport. This stand-alone local switching/interim shared transport offering is physically separate from any other UNEs (e.g., the local loop) or other services (e.g., directory assistance) as a matter of law and engineering fact.

¹ It should be noted that the issues raised by the Competitor Intervenors are not normally the subject of rehearing. The purpose of the rehearing process required by Section 10-201 of the Act is to give the Commission an opportunity to correct any errors it made before those issues are presented to the appellate courts in the appeal process. Meinhardt Cartage Co. v. Ill. Comm. Comm., 15 Ill.2d 546, 550-51 (1959); L. S. Heath & Sons, Inc. v. Marathon Oil Co., 56 Ill. App. 3d 440 (1977). The Competitor Intervenors' Application for Rehearing does not claim that the Commission made any error. Rather, it objects to the way in which Ameritech Illinois implemented its shared transport obligation. In addition, most of the factual information provided by the Competitor Intervenors is not in the record of this proceeding. Nevertheless, the Joint Applicants will respond to these issues.

An entirely separate debate has taken place at the federal and state level as to whether CLECs are entitled to subscribe to a further combination of network elements generally referred to as the “UNE Platform”. The UNE Platform is the existing combination of unbundled local switching/shared transport and the unbundled local loop. With the UNE Platform, CLECs can provide end-to-end service to customers without any obligation to combine the network elements themselves (i.e., without collocation). The Competitor Intervenors now claim that, when the Commission ordered Ameritech Illinois to tariff shared transport under the Illinois Merger Order, the Company should have understood it to mean the UNE Platform. (Competitor Intervenors’ Application, pp. 3-4).

This is simply not true. The Illinois Merger Order directed Joint Applicants to file a shared transport tariff. (Order in Docket 98-0555, supra, pp. 183-84, 250-53). The Joint Applicants filed a shared transport tariff. The merger requirement was based on Staff’s recommendation in this proceeding, which was for the filing of a shared transport tariff. (Staff Ex. 5.00, Gasparin Direct, pp. 7-8; Staff Ex. 5.01, Gasparin Rebuttal, pp. 1-2; Staff Ex. 5.02, Gasparin Direct on Reopening, pp. 2-3). At no time did Staff propose that the UNE Platform be tariffed. As will be discussed in more detail later, Ameritech Illinois’ shared transport tariff fully complied with the Commission’s order.

II. Ameritech Illinois Will File A UNE Platform Tariff

Notwithstanding the fact that Joint Applicants fulfilled their obligations under the Illinois Merger Order, both the issues of shared transport and the UNE Platform are complex and have been at the center of a long, contentious debate between competitors over a period of years. Without regard to the fact that the Competitor Intervenors’ arguments lack merit, the Joint Applicants believe that it is time to end this debate. Therefore, simultaneously with this

Response, Ameritech Illinois is filing a new tariff that will allow CLECs to obtain the UNE Platform in Illinois where the specific Platform elements ordered by the CLEC (i.e., the particular local loop, and unbundled local switching/interim shared transport elements) are currently combined in Ameritech Illinois' network to provide switched local exchange services. No collocation will be required. Ameritech Illinois will also offer the CLECs amendments to their existing interconnection agreements that will incorporate this tariff commitment. This offering is fully consistent with the FCC's Order in the UNE Remand docket released November 5, 1999. (Order in CC Docket No. 96-98, FCC 99-258, released November 5, 1999).²

Although the Competitor Intervenors raised issues relative to the prices, no price changes are, in fact, required. The monthly charges for unbundled local switching/interim shared transport are consistent with this Commission's costing methodology established in the TELRIC docket and are reasonable. In addition, the new Platform tariff establishes appropriate nonrecurring charges for this offering.

This new tariff goes well beyond the requirements of the Illinois Merger Order and eliminates the need for further debate about the sufficiency of the shared transport tariff already on file.

III. Ameritech Illinois' Interim Shared Transport Tariff Fully Complied with the Commission's Merger Order.

Although this proposal resolves the issues raised by the Commissioners at the Open Meeting, the Joint Applicants do not believe that the Competitor Intervenors' charges of noncompliance should remain un rebutted. The two principal issues raised by the Competitor Intervenors' Application for Rehearing and, in turn, the Commissioners, involved: (1)

² As discussed in more detail infra, incumbent LECs are not required to offer the UNE Platform where the network elements are not currently combined (e.g., when an existing customer seeks additional lines not currently in service or when a new customer requests service).

collocation, and (2) pricing. As demonstrated below, Ameritech Illinois' tariff fully complied with the Illinois Merger Order on both issues.

A. Collocation

The Competitor Intervenors claim that Ameritech Illinois' interim shared transport tariff did not comply with the Merger Order because it required collocation to connect the unbundled local switching/interim shared transport offering to unbundled loops or other facilities. This is incorrect.

Contrary to their contentions, there is no inconsistency between shared transport and collocation. Unbundled local switching/interim shared transport is a stand-alone unbundled network element combination. Under the relevant FCC orders, incumbent LECs must allow CLECs to connect their own local loops to Ameritech Illinois' unbundled local switching/interim shared transport offering. By definition, this would require a collocation arrangement. Similarly, CLECs are entitled to strip operator and directory assistance traffic off the incumbent LEC's network at the serving end office and route it over dedicated facilities to their own OS/DA platforms. This would also necessarily require a collocation arrangement. In fact, this latter arrangement is specifically referenced in the collocation regulation in Ameritech Illinois' tariff. (Ill. C.C. No. 20, Part 19, Section 14, Original Sheet No. 35). Thus, an unbundled local switching/interim shared transport offering must include collocation as an option.

The debate over whether collocation should be required is a debate over the UNE Platform. As previously discussed, the UNE Platform is defined as the combination of unbundled local loops and unbundled local switching/interim shared transport without collocation. Thus, although the Competitor Intervenors frame collocation as a "shared transport"

issue, in substance they are contending that Ameritech Illinois should have filed a UNE Platform tariff as well as a shared transport tariff.

This Commission did not order the Joint Applicants to provide the UNE Platform. The Commission defined the Illinois Merger Order obligation as follows:

“We define ‘SBC/Texas interim version’ to mean the interim form of shared transport discussed by Joint Applicant witness Appenzeller in his direct testimony on reopening. (See SBC/Ameritech Ex. 12.0 at 3-11)”. (Order in Docket 98-0555, supra, p. 183, emphasis added).

This portion of Mr. Appenzeller’s testimony addressed the interoffice capabilities of shared transport, without any discussion of the UNE Platform or collocation. Mr. Appenzeller explained there how the Joint Applicants intended to solve the technical and network issues that have plagued shared transport from the outset (e.g., ensuring that CLECs can deliver traffic to, and receive traffic from, customers served by other CLECs; and allowing CLECs to bill and collect for terminating access, 800 traffic and traffic subject to reciprocal compensation). It is the interim Texas solution to these technical and network problems (i.e., “rough justice”) that the Joint Applicants committed to bringing to Illinois and which is fully reflected in the filed interim shared transport tariff. Nowhere do the Competitor Intervenors raise any compliance questions about the “rough justice” approach in the tariff -- the only “SBC/Texas interim version” requirement in the Commission’s order.³

Competitor Intervenors claim that Ameritech Illinois separately made an unqualified commitment to offer the UNE Platform. (Competitor Intervenors’ Application, pp. 3-4). This is

³ It is true that, in Texas, CLECs are permitted to combine unbundled local switching/shared transport and unbundled local loops where they exist today without collocation. However, this relates to the Texas UNE Platform offering, not to the Texas interim shared transport offering. Ameritech Illinois’ interim shared transport tariff is fully consistent with the Texas version of interim shared transport.

not true.⁴ In response to the Chairman's request that the parties compare and contrast the Illinois and FCC merger commitments, Mr. Appenzeller made clear that the Illinois shared transport commitment did not include a UNE Platform commitment:

"I should also point out that in Illinois the Joint Applicants have made no commitment to provide the UNE platform to customers. However, at the FCC the Joint Applicants have proposed to make the UNE Platform available to residential customers within 30 days after the merger closing subject to certain terms and volume limits. If that proposal is adopted by the FCC, it would apply in Illinois." (Appenzeller, Tr. at 2361, emphasis added).

Thus, Ameritech Illinois made a merger commitment to offer the UNE Platform only at the FCC. As Competitor Intervenors concede, Ameritech Illinois has taken the necessary steps to comply with this FCC condition. (Competitor Intervenors' Application, p. 7).⁵

Finally, Competitor Intervenors claim that Ameritech Illinois' tariff does not comply with the Supreme Court decision in AT&T vs. Iowa Utilities Board, 525 U.S. 366, 119 S.Ct. 721 (1999). The Joint Applicants agree that the Supreme Court's decision reinstated the FCC's Rule 315(b), which prohibits ILECs from separating unbundled network elements which are currently combined. What the Competitor Intervenors neglect to mention, however, is that the Supreme Court also vacated the applicable FCC rule which established UNEs in the first place. In other

⁴ The portion of Mr. Appenzeller's rebuttal testimony to which the Competitor Intervenors cite was not included in the Commission's definition of the shared transport obligation; it addressed the Company's long-term intentions relative to the UNE Platform; and it was expressly conditioned on the UNE Platform being legally required by the FCC. (SBC/Am. Ex. 12.1, p. 12).

⁵ This distinction between shared transport and the UNE Platform is clearly reflected in the FCC merger conditions. Under the FCC conditions, the Joint Applicants committed to file tariffs and/or offer amendments to their interconnection agreements that would offer shared transport throughout the Ameritech Operating territory; however, the UNE Platform would only be made available on a promotional basis, only for a limited period of time, only for residential customers and only for a specified number of lines. (Order in CC Docket No. 98-141, released October 8, 1999, Appendix C, Conditions, ¶s 50, 55.) This commitment, of course, will be superseded by the UNE Remand Order when it becomes effective.

As the Competitor Intervenors point out, Ameritech Illinois has already offered them amendments to their interconnection agreements implementing the FCC merger conditions relative to the UNE Platform. (Competitor Intervenors' Application, p. 7). Their complaints about these offerings -- i.e., that they are "unacceptably (and impermissibly) time bounded and limited in their market application" -- represent nothing more than a recycling of arguments they raised and lost at the FCC.

words, at the time that Ameritech Illinois' unbundled local switching/interim shared transport tariff was filed and until the FCC's UNE Remand Order goes into effect, there are no UNEs subject to Section 315(b).⁶ Once the FCC's UNE Remand Order becomes effective, however, the UNEs required by the FCC will be subject to Rule 315(b). The Joint Applicants will comply with their legal obligations.⁷ This, however, is entirely independent of the Joint Applicants' obligation to provide shared transport under tariff pursuant to the Illinois Merger Order and the promotional UNE Platform pursuant to the FCC Merger Order.

It should be further noted that the Section 315(b) obligation applies to situations where the requested network elements are combined already. New customers, for whom no network elements are combined today, and new lines for existing customers, would have been subject to the FCC's Rule 315(c), which previously required ILECs to combine elements for CLECs. This rule was vacated by the 8th Circuit as inconsistent with Section 251(c)(3) of the 1996 Act and remains vacated today while the 8th Circuit considers the issues remanded to it by the Supreme Court in the IUB case. The FCC expressly acknowledged the 8th Circuit litigation in its UNE Remand Order and declined to reinstate Rule 315(c). Thus, incumbent LECs are not required to combine network elements that are not currently combined. (Order in CC Docket No. 96-98, supra, ¶ 479-80.)

⁶ The Joint Applicants committed in the FCC Merger Order to continue to make available to CLECs such UNEs or UNE combinations that were available in local interconnection agreements in effect on January 24, 1999, until the FCC issues a final order in the UNE Remand proceeding. FCC Merger Order, CC Docket No. 98-141, released October 8, 1999, Appendix C, Condition 53. This commitment did not apply to shared transport in Ameritech Illinois' service territory, because shared transport as described above was not available in CLEC interconnection agreements on the relevant date.

⁷ The FCC's order makes clear that the ILECs' UNE Platform obligation will not be ubiquitous and that the Competitor Intervenors' demand that the UNE Platform be made available "immediately and unconditionally" is unlawful. (Competitor Intervenors' Application, p. 8). Unbundled Local Switching ("ULS") will not be a UNE for customers with more than four lines and in Access density zone 1 in the top 50 MSAs, as long as enhanced extended links are available throughout Zone 1. Since ULS is a necessary component of shared transport, this means that shared transport will not be a UNE for those business customers. Since shared transport in turn is a necessary component of the UNE Platform, this means that the UNE Platform will not be available either.

B. Pricing.

The Competitor Intervenors also object to the prices for shared transport in Ameritech Illinois' tariff. (Competitor Intervenors' Application, p. 6). The Illinois Merger Order states as follows, relative to the development of prices for shared transport:

“In addition, the Joint Applicants shall import to Illinois the rates agreed to in Texas for the interim version, until such time as Illinois-specific rates can be delivered. At such time the interim rates will be subject to a true-up”. (Order in Docket 98-0555, supra, p. 250).

Thus, Ameritech Illinois had two options: (1) to use the Texas rates on an interim basis; or (2) to develop Illinois-specific rates.

After reviewing the Texas rates for interim-switched transport, Ameritech Illinois elected to develop Illinois-specific rates. The Texas rate structure was not well suited to the Illinois environment. For example, the TELRIC methodology adopted in Texas did not distribute costs between rate elements consistent with the requirements of this Commission's TELRIC order. Ameritech Illinois also believed that Illinois-specific rates would be inherently better suited to Illinois regulatory and market conditions if they could be developed within the time available. Therefore, Ameritech Illinois developed an unbundled local switching/interim shared transport rate structure using permanent, TELRIC-approved prices for the network piece-parts that make up this offering (for example, existing end office integration and transiting rates were used in developing the shared transport usage rate). The Company's rate structure includes a “rough justice” credit that accounts for terminating access, 800 traffic and terminating charges to other CLECs. These Illinois-specific rates were included in the tariff that was approved by the Commission prior to adoption of the Illinois Merger Order, and are subject to true-up.

The Competitor Intervenors claim that the Texas shared transport usage rates are much lower than Ameritech Illinois'. (Competitor Intervenors' Application, p. 6). However, the Texas rate structure is too different to make this kind of comparison. For example, SBC charges separately for the SS7 call set-up; this is included in the Ameritech Illinois monthly recurring rates. SBC charges CLECs reciprocal compensation (i.e., the local switching rate) for all calls terminated on its network separately from the unbundled local switching/shared transport usage rate; this increases the CLECs' costs above the stated Texas usage rates. Reciprocal compensation is included in Ameritech Illinois' usage rate. Certain trunk port costs which this Commission approved in the TELRIC docket are not included in the SBC rate at all. All of these differences would have to be taken into account in comparing the Texas and Illinois offering. The Competitor Intervenors did not do so.

Ameritech Illinois has compared its unbundled local switching/interim shared transport rate structure and rate levels with SBC's in detail and is of the opinion that its rates, properly viewed, are comparable to SBCs (and, in fact, are lower).⁸ Ameritech Illinois reviewed the rates and costs with the Commission Staff prior to filing its unbundled local switching/interim shared transport tariff. It has reviewed them again with Staff in light of the Commissioners' comments. In the Company's view, the overall rate levels are reasonable and no rate changes are required. It is the Joint Applicants' understanding that Staff will present the Commission with its views on the pricing issues.

⁸ The Competitor Intervenors claim that Ameritech Illinois would charge CLECs nonrecurring charges ("NRCs") of \$227 per line for the UNE Platform. This is incorrect. Since Ameritech Illinois did not file a UNE Platform tariff, the tariffs on file do not provide a meaningful guide to what NRCs would apply. In fact, the Platform tariff which the Company is filing today contains NRCs that total approximately \$29 per line, which is very close to the Texas NRC of \$23 per line.

WHEREFORE, in view of the foregoing, no further action is required by the Commission relative to the Joint Applicants' interim shared transport commitment and the Application for Rehearing filed by the Competitor Intervenors should be denied.

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